



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF SHEFFIELD LAKE
LORAIN COUNTY
DECEMBER 31, 2022**

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LORAIN COUNTY
DECEMBER 31, 2022**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Sheffield Lake
Lorain County
609 Harris Road
Sheffield Lake, Ohio 44054

To the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Roads Income Tax Funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2023, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

October 19, 2023

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CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

The management's discussion and analysis of the City of Sheffield Lake's (the City) financial performance presents a narrative overview and analysis of the City's financial activities for the year ended December 31, 2022. The intent of the discussion and analysis is to present the City's financial performance as a whole. Readers are encouraged to consider this information in conjunction with the basic financial statements and notes to financial statements for an enhanced understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2022 were as follows.

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 22,746,447 (net position).

Total net position increased by \$ 1,571,568. Net position of governmental activities increased \$ 834,598 from 2021. Net position of business-type activities increased \$ 736,970 from 2021.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 4,419,005, an increase of \$ 27,720 in comparison with the prior year. Approximately 23.3 percent of this amount, \$ 1,031,174 is available for spending at the City's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$ 1,031,174 or 15.1 percent of total General Fund expenditures.

The City's total long-term debt obligations decreased by \$ 218,330 (4.6 percent) during the current year.

Overview of Financial Statements

This annual report includes the City's basic financial statements, which consist of government-wide financial statements and fund financial statements, and notes to the basic financial statements. The government-wide financial statements provide information about the City as a whole, providing an aggregate view of the City's finances. The fund financial statements provide an additional level of detail.

Government-wide Financial Statements

The government-wide financial statements provide a broad overview of the City's finances in a manner similar to a private-sector business. The *Statement of Net Position* presents information on all the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the residual difference being reported as net position. Increases or decreases in net position over time serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The *Statement of Activities* presents information reflecting the City's financial activities and changes in net position during the year. These two statements use the accrual basis of accounting, under which revenue is generally recognized when earned and expenses recognized when incurred, regardless of when cash is received or paid. These statements distinguish between governmental activities, which are those that are principally supported by taxes and intergovernmental revenues, and business-type activities, which are those that are intended to recover their costs through user fees and charges. The City's business-type activities consist of water system operations, sanitary sewer system operations and storm water system operations.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Fund Financial Statements

Governmental fund financial statements focus on the City's most significant, or major funds. The City's major governmental funds are the General Fund and Roads Income Tax Fund. The remaining non-major funds are combined and reflected in one single column. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at year end. This information can be useful in determining what financial resources are available to finance the City's activities. A reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities for the year ended December 31, 2022 is presented. The City, similar to other local governments, uses fund accounting to ensure and demonstrate finance related legal requirements.

Fund Categories

The City's funds can be divided into three categories consisting of *governmental* funds, *proprietary* funds and *fiduciary* funds.

Governmental funds

Most of the City's activities are reported in governmental funds, which are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds use the modified accrual method of accounting, which measures cash and other financial assets readily convertible to cash.

Proprietary funds

Proprietary funds are generally used to account for activities for which the City will charge customers and users. Proprietary funds of the City consist of enterprise funds which are used to account for those functions reported as business-type activities in the government-wide financial statements. The City's enterprise funds account for water system operations, sanitary sewer system operations and storm water system operations. Proprietary funds use the accrual basis of accounting.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City and are not included in the government-wide financial statements since the resources held are not available to support City programs. These funds use the accrual basis of accounting.

Notes to the Basic Financial Statements

Notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. These should be read in connection with those financial statements.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

The City of Sheffield Lake as a Whole

Analysis of Net Position

The *Statement of Net Position* presents the City as a whole. Following is a summary of the City's net position for 2022 compared to 2021.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 9,677,856	\$ 10,051,970	\$ 2,810,815	\$ 2,239,947	\$ 12,488,671	\$ 12,291,917
Capital assets, net	17,279,854	16,340,609	9,162,532	9,252,760	26,442,386	25,593,369
Total assets	<u>26,957,710</u>	<u>26,392,579</u>	<u>11,973,347</u>	<u>11,492,707</u>	<u>38,931,057</u>	<u>37,885,286</u>
Deferred outflow s of resources						
Pension	1,869,486	1,056,116	183,049	120,756	2,052,535	1,176,872
OPEB	452,827	548,664	5,847	52,001	458,674	600,665
Total deferred outflow s of resources	<u>2,322,313</u>	<u>1,604,780</u>	<u>188,896</u>	<u>172,757</u>	<u>2,511,209</u>	<u>1,777,537</u>
Liabilities						
Current liabilities	773,111	934,267	155,727	101,547	928,838	1,035,814
Long-term liabilities						
Due w ithin one year	644,759	828,912	219,018	202,877	863,777	1,031,789
Due in more than one year						
Net pension liability	5,197,951	5,903,901	380,835	668,721	5,578,786	6,572,622
Net OPEB liability	802,944	761,688	-	-	802,944	761,688
Other amounts	2,377,865	2,114,509	3,048,085	3,139,015	5,425,950	5,253,524
Total liabilities	<u>9,796,630</u>	<u>10,543,277</u>	<u>3,803,665</u>	<u>4,112,160</u>	<u>13,600,295</u>	<u>14,655,437</u>
Deferred inflow s of resources						
Property taxes	1,816,200	1,804,700	-	-	1,816,200	1,804,700
Pension	2,190,547	871,666	461,344	293,052	2,651,891	1,164,718
OPEB	492,334	628,002	135,099	235,087	627,433	863,089
Total deferred inflow s of resources	<u>4,499,081</u>	<u>3,304,368</u>	<u>596,443</u>	<u>528,139</u>	<u>5,095,524</u>	<u>3,832,507</u>
Net position						
Net investment in capital assets	14,873,846	13,818,997	5,982,294	5,995,799	20,856,140	19,814,796
Restricted	3,475,558	3,445,355	-	-	3,475,558	3,445,355
Unrestricted	(3,365,092)	(3,114,638)	1,779,841	1,029,366	(1,585,251)	(2,085,272)
Total net position	<u>\$ 14,984,312</u>	<u>\$ 14,149,714</u>	<u>\$ 7,762,135</u>	<u>\$ 7,025,165</u>	<u>\$ 22,746,447</u>	<u>\$ 21,174,879</u>

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

The City follows GASB Statement 68, "Accounting and Financial Reporting for Pensions" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to pensions other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Investment in capital assets (land, buildings and improvements, equipment and vehicles and infrastructure) less any related debt to acquire those assets still outstanding represents the largest portion of net position. Capital assets are used to provide services to the City's citizens, however, are not available for future spending.

Total assets increased by \$ 1,045,771 to \$ 38,931,057; current and other assets increased by \$ 196,754 to \$ 12,488,671, while net capital assets increased by \$ 849,017. The most significant changes in current and other assets were increases in equity in pooled cash of \$ 582,859 and \$ 259,082 in accounts receivable., with a decrease of \$ 558,568 in property held for resale.

Current liabilities increased by \$ 106,976 to \$ 928,838 primarily due to an increase in accounts payable. Long-term liabilities decreased by \$ 168,012 to \$ 12,671,457, primarily due to decreases in notes payable and net pension liability.

Total net position increased by \$ 1,571,568 to \$ 22,746,447 with governmental net position comprising \$ 14,984,312 and business-type net position comprising \$ 7,762,135 of that amount.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Analysis of Changes in Net Position

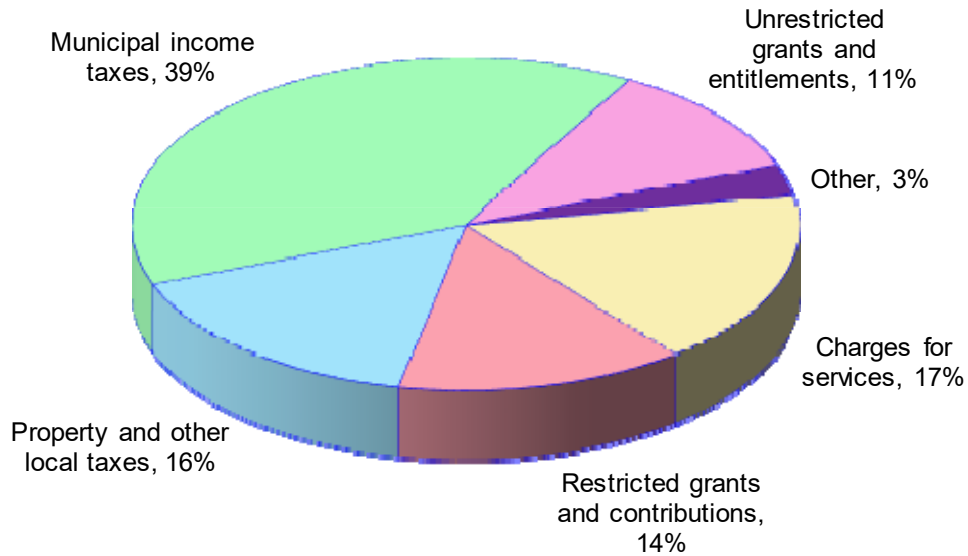
To understand what makes up changes in net position, following are results of activities for the current year compared to the prior year.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services and sales	\$ 1,775,396	\$ 2,033,689	\$ 3,001,222	\$ 2,777,655	\$ 4,776,618	\$ 4,811,344
Operating grants, interest and contributions	589,949	487,816	-	-	589,949	487,816
Capital grants and contributions	880,427	40,500	187,939	-	1,068,366	40,500
Total program revenues	<u>3,245,772</u>	<u>2,562,005</u>	<u>3,189,161</u>	<u>2,777,655</u>	<u>6,434,933</u>	<u>5,339,660</u>
General revenues						
Property and other local taxes	1,695,668	1,800,617	-	-	1,695,668	1,800,617
Municipal income taxes	4,097,960	3,709,586	-	-	4,097,960	3,709,586
Unrestricted grants and entitlements	1,178,959	1,359,492	-	-	1,178,959	1,359,492
Other	275,769	101,300	-	-	275,769	101,300
Total general revenues	<u>7,248,356</u>	<u>6,970,995</u>	<u>-</u>	<u>-</u>	<u>7,248,356</u>	<u>6,970,995</u>
Total revenues	<u>10,494,128</u>	<u>9,533,000</u>	<u>3,189,161</u>	<u>2,777,655</u>	<u>13,683,289</u>	<u>12,310,655</u>
Program expenses						
Security of persons and property	4,180,308	4,103,248	-	-	4,180,308	4,103,248
Leisure time activities	907,608	685,307	-	-	907,608	685,307
Community environment	144,456	102,226	-	-	144,456	102,226
Basic utility services	918,859	883,193	-	-	918,859	883,193
Transportation	1,304,770	820,006	-	-	1,304,770	820,006
General government	1,733,348	1,710,024	-	-	1,733,348	1,710,024
Interest	44,875	189,056	-	-	44,875	189,056
Water	-	-	1,095,449	792,696	1,095,449	792,696
Sewer	-	-	1,023,056	817,287	1,023,056	817,287
Storm water	-	-	329,874	253,804	329,874	253,804
Total program expenses	<u>9,234,224</u>	<u>8,493,060</u>	<u>2,448,379</u>	<u>1,863,787</u>	<u>11,682,603</u>	<u>10,356,847</u>
Change in net position before special item and transfers	1,259,904	1,039,940	740,782	913,868	2,000,686	1,953,808
Special item	(429,118)	(1,765,498)	-	-	(429,118)	(1,765,498)
Transfers	3,812	3,812	(3,812)	(3,812)	-	-
Change in net position	834,598	(721,746)	736,970	910,056	1,571,568	188,310
Net position, beginning of year	<u>14,149,714</u>	<u>14,871,460</u>	<u>7,025,165</u>	<u>6,115,109</u>	<u>21,174,879</u>	<u>20,986,569</u>
Net position, end of year	<u>\$ 14,984,312</u>	<u>\$ 14,149,714</u>	<u>\$ 7,762,135</u>	<u>\$ 7,025,165</u>	<u>\$ 22,746,447</u>	<u>\$ 21,174,879</u>

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Governmental activities

Revenues by source of governmental activities for 2022 were comprised of:

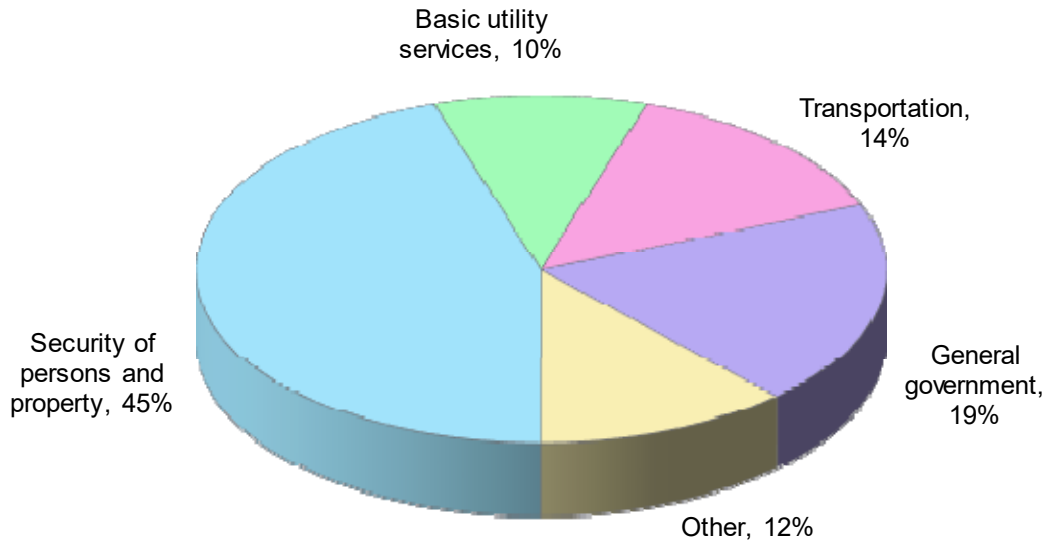


Revenues

For 2022, municipal income taxes, representing 39 percent of total revenue, was the largest portion of revenue for governmental activities. Property and other local taxes, charges for services, and restricted grants and entitlements, represented the next three largest sources of revenue at 16 percent, 17 percent, and 14 percent respectively.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Program expenses of governmental activities for 2022 were comprised of:



Program expenses

Program expenses amounted to \$ 9,234,224 in 2022, of which \$ 3,245,772 was supported by program revenue.

Governmental activities expenses increased \$ 741,164 or 8 percent in 2022, mainly due to the net effect of the changes in OPEB plan expense. The OPEB expense was (\$ 87,233) in 2022 compared to (\$ 592,439) in 2021.

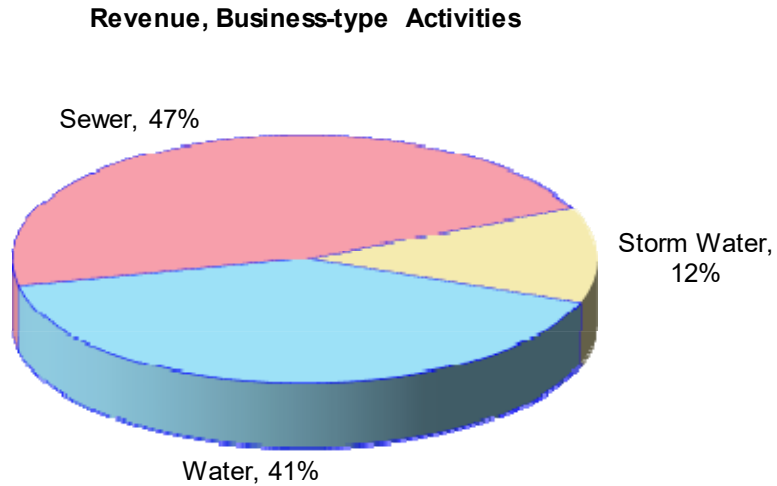
Security of persons and property, which includes police, fire and paramedic services, represented \$ 4,180,308 or 45 percent of total program expenses. Basic utilities services of \$ 918,859 or 10 percent includes refuse collections. Transportation, which includes street maintenance and snow removal, represented \$ 1,304,770 or 14 percent of program expenses. General government represented \$ 1,733,348 or 19 percent of program expenses. General government expenses include legislative and administrative services such as council, mayor, finance, law and computer services departments, utilities and maintenance of buildings. Other expenses include community environment, leisure time activities, including recreation activities and maintenance of the City's park system, and interest amounted to \$ 1,096,939 or 12 percent.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Business-type activities

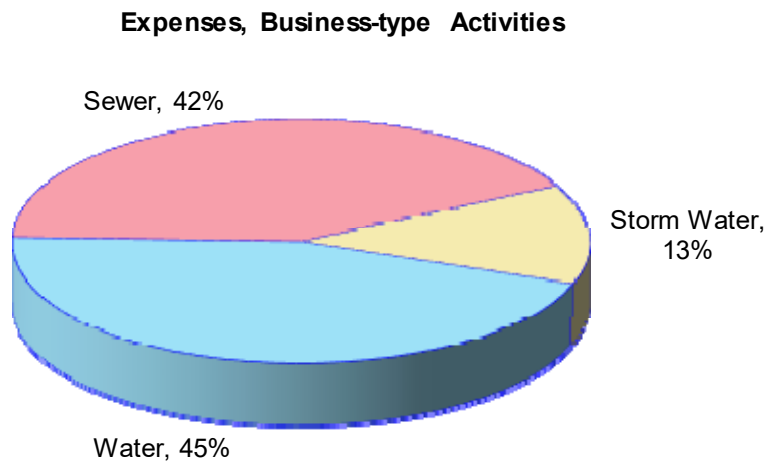
Revenues

Charges for services represented 100 percent of total revenues for business-type activities in 2022. Revenues for business-type activities for 2022 were comprised of:



Expenses

Water operations expenses amounted to \$ 1,095,449 or 45 percent. Sanitary sewer operations expenses amounted to \$ 1,023,056 or 42 percent of total program expenses and storm water operation expenses amounted to \$ 329,874 or 13 percent for business-type activities. Water operations, sanitary sewer operations and storm water operations have historically been self-supporting through user fees and charges.



CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

The City's Funds

The City's governmental funds financial information begins at page 20. Total assets of governmental funds decreased by \$ 472,199, primarily due to the sale of a portion of an asset held for resale (Shoreway Shopping Center). Total liabilities of governmental funds decreased by \$ 389,833, primarily due to an decrease in notes payable and a reduction of 224,685 in accrued leave benefits. Deferred inflows of resources decreased by \$ 110,086. Governmental total fund balances increased by \$ 27,720 to \$ 4,419,005 at year-end 2022. Total governmental funds revenues increased by \$ 1,111,398 in 2022, while total expenditures increased by \$ 1,559,695. Total other financing sources (uses) increased by \$ 825,165 to \$ 829,650. The sale of a portion of Shoreway Shopping Center resulted in a loss of \$ 358,118 reported as a special item in the governmental funds.

The City's major governmental funds in 2022 consisted of the General Fund and Roads – Income Tax \$ Fund. General Fund revenues were \$ 190,709 or 3.0 percent higher in 2022 than 2021. General Fund total expenditures increased by \$ 323,446 or 5.0 percent. General Fund net other financing sources (uses) and special item reported a net change from (\$ 976,482) in 2021 to (\$ 159,336) in 2022. Accordingly, the General Fund balance decreased by \$ 469,490 to \$ 2,518,749 at year-end 2022. In 2022, the Roads – Income Tax Fund recognized intergovernmental grant revenue of \$ 880,427 for infrastructure projects. As a result, the Roads - Income Tax Fund revenues were \$ 933,486 higher in 2022 than 2021, and total expenditures increased by \$ 1,249,523. Roads - Income Tax Fund net other financing sources (uses) and special item reported a net change from (\$ 25,000) in 2021 to \$ 325,400 in 2022. Accordingly, the Roads - Income Tax Fund balance increased by \$ 77,394 to \$ 125,257 at year-end 2022.

The City's proprietary funds information begins at page 26. The Water Fund, Sewer Fund and Storm Water Fund net position increased by \$ 123,236, \$ 396,070 and \$ 217,664 respectively. The City's proprietary funds have historically been self-sufficient.

Budgetary Highlights

The City prepares its budget in accordance with Ohio law on the basis of cash receipts, disbursements and encumbrances. The City's original budget and amendments are enacted by City Council upon recommendation of Council's Finance Committee. Budgetary expenditure modifications at the legal level of control may only be made by ordinance of City Council. The City's final budget differs from the original budget due to various amendments during the year to reflect changes in unanticipated revenue receipts.

Original budgeted receipts for the General Fund were \$ 5,463,533 and final budgeted receipts were \$ 5,730,778. Original appropriations were \$ 6,739,070 and final appropriations were \$ 7,147,944. The City actually expended \$ 6,732,783 which was \$ 415,161 less than final appropriations. Original budgeted receipts for the Roads - Income Tax Fund were \$ 500,000 and final budgeted receipts were \$ 537,564. Original and final appropriations were \$ 578,600. The City actually expended \$ 538,633 which was \$ 39,967 less than final appropriations.

The City historically spends less than appropriated.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Capital Assets

Capital assets, net of depreciation, at December 31, consisted of:

	Governmental Activities		Business type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 511,424	\$ 511,424	\$ 153,910	\$ 153,910	\$ 665,334	\$ 665,334
Construction in progress	935,368	1,925,581	63,865	18,334	999,233	1,943,915
Buildings and improvements	3,401,495	3,450,778	86,871	89,586	3,488,366	3,540,364
Equipment and vehicles	1,471,741	1,625,137	1,069,178	1,098,301	2,540,919	2,723,438
Infrastructure	10,959,826	8,827,689	7,788,708	7,892,629	18,748,534	16,720,318
	<u>\$ 17,279,854</u>	<u>\$ 16,340,609</u>	<u>\$ 9,162,532</u>	<u>\$ 9,252,760</u>	<u>\$ 26,442,386</u>	<u>\$ 25,593,369</u>

Capital assets are major assets that benefit more than one fiscal year. The City's capitalization threshold is \$ 5,000, that is, asset cost must equal \$ 5,000 or more to be capitalized. Infrastructure assets are long-lived capital assets that are normally stationary in nature with a useful life significantly greater than most capital assets. The City's governmental infrastructure includes streets, bridges, culverts, and sidewalks.

The City's total capital assets, net of depreciation, under governmental activities were \$ 17,279,854 at December 31, 2022, which was \$ 939,245 higher than the previous year. Business-type capital assets, net of depreciation, decreased by \$ 90,228 to \$ 9,162,532. For more information about the City's capital assets, see Note 8 to the Basic Financial Statements.

Debt

Outstanding long-term debt obligations of the City at December 31, consisted of:

	Governmental Activities		Business type Activities		Total	
	2022	2021	2022	2021	2022	2021
Notes payable	\$ 440,000	\$ 436,003	\$ -	\$ -	\$ 440,000	\$ 436,003
OPWC loans	1,308,545	1,041,277	195,031	217,480	1,503,576	1,258,757
OWDA loan	-	-	2,378,437	2,383,132	2,378,437	2,383,132
Financed purchase obligations	55,558	28,430	606,770	656,349	662,328	684,779
	<u>\$ 1,804,103</u>	<u>\$ 1,505,710</u>	<u>\$ 3,180,238</u>	<u>\$ 3,256,961</u>	<u>\$ 4,984,341</u>	<u>\$ 4,762,671</u>

As of December 31, 2022, the City had long-term debt obligations, excluding accrued leave benefits and net pension/OPEB liability, of \$ 4,984,341, with \$ 767,570 due within one year.

The general obligation bond anticipation notes include various purposes including road improvements, city hall improvement, storm water improvements and construction. Sources for debt service payments include property tax collections and transfers from various funds. The OPWC loans consist of several no interest loans with terms between eight and twenty years, used primarily for street reconstruction, which are repaid from the City's capital projects, street funds and sanitary sewer capital improvement funds.

The State of Ohio statute limits the amount of general obligation debt, including both voted and unvoted debt, but excluding certain exempt debt, that may be issued to 10 ½ percent of the total tax valuation of all property within the City. For more information about the City's long-term obligations, see Note 10 to the Basic Financial Statements.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Economic Factors and Next Year's Budget

The City continues to proceed with several ongoing road and infrastructure improvements. Administration, with the support of City Council, is currently working on 2023 improvements with repair and upgrades to several areas and roads within the corporation limits. In 2022 the City benefitted from the re-pavement of Lake Road U.S. Route 6. Two storm water culverts were able to be rebuilt that dated from the early 1920's. Many projects are being planned over the next few years which includes obtaining grants, as well as low and/or zero interest loans, in order to continue to repair and rebuild aging water and sewer lines. The City continues to react conservatively in regard to recent years of stabilization and growth in revenue assuring continued reserve to be in position to react to possible unforeseen issues. The annual budget will continue to be monitored efficiently and consistently throughout the year as department heads review their budgets on a monthly basis. The Finance Director, Mayor and City Council continue to work closely in the monitoring of the City's current budget as well as the preparation of the 2023 budget and look forward to providing our citizens a safer and more enjoyable community.

Requests for Information

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the City's finances and show the City's accountability for the money it receives and spends. If you have any questions about this report or need additional financial information, contact the Finance Department, City of Sheffield Lake, 609 Harris Rd., Sheffield Lake, Ohio 44054; telephone (440) 949-7141.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash	\$ 4,042,231	\$ 2,060,814	\$ 6,103,045
Accounts and other receivable	298,449	603,087	901,536
Due from other governments	655,676	-	655,676
Inventories and supplies	44,007	-	44,007
Prepaid expenses	36,300	4,700	41,000
Income taxes receivable	2,061,500	-	2,061,500
Property taxes receivable	2,091,500	-	2,091,500
Special assessments receivable	-	11,457	11,457
Net OPEB asset	213,341	130,757	344,098
Property held for resale	234,852	-	234,852
Capital assets			
Nondepreciable capital assets	1,446,792	217,775	1,664,567
Depreciable capital assets, net	15,833,062	8,944,757	24,777,819
Total assets	26,957,710	11,973,347	38,931,057
Deferred outflow s of resources			
Pension	1,869,486	183,049	2,052,535
OPEB	452,827	5,847	458,674
Total deferred outflow s of resources	2,322,313	188,896	2,511,209
Liabilities			
Accounts and contracts payable	472,161	118,334	590,495
Accrued wages and benefits	64,808	23,036	87,844
Accrued interest payable	8,192	5,400	13,592
Due to other governments	66,045	8,957	75,002
Notes payable	161,905	-	161,905
Long term liabilities			
Due within one year	644,759	219,018	863,777
Due in more than one year			
Net pension liability	5,197,951	380,835	5,578,786
Net OPEB liability	802,944	-	802,944
Other amounts	2,377,865	3,048,085	5,425,950
Total liabilities	9,796,630	3,803,665	13,600,295
Deferred inflow s of resources			
Property taxes	1,816,200	-	1,816,200
Pension	2,190,547	461,344	2,651,891
OPEB	492,334	135,099	627,433
Total deferred inflow s of resources	4,499,081	596,443	5,095,524
Net position			
Net investment in capital assets	14,873,846	5,982,294	20,856,140
Restricted for:			
Debt service	38,099	-	38,099
Capital projects	721,582	-	721,582
Highways and streets	1,454,044	-	1,454,044
Public safety	213,971	-	213,971
Recreation	106,577	-	106,577
Community environment	448,364	-	448,364
Federal grants	491,942	-	491,942
Other purposes	979	-	979
Unrestricted	(3,365,092)	1,779,841	(1,585,251)
Total net position	\$ 14,984,312	\$ 7,762,135	\$ 22,746,447

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions
Governmental activities				
Security of persons and property	\$ 4,180,308	\$ 402,167	\$ 471,688	\$ -
Leisure time activities	907,608	36,123	-	-
Community environment	144,456	-	3,770	-
Basic utility services	918,859	963,236	15,660	-
Transportation	1,304,770	6,926	-	880,427
General government	1,733,348	366,944	98,831	-
Interest	44,875	-	-	-
Total governmental activities	9,234,224	1,775,396	589,949	880,427
Business-type activities:				
Water	1,095,449	1,218,685	-	-
Sewer	1,023,056	1,419,126	-	-
Storm Water	329,874	363,411	-	187,939
Total business-type activities	2,448,379	3,001,222	-	187,939
Total	\$ 11,682,603	\$ 4,776,618	\$ 589,949	\$ 1,068,366

General revenues

Property and other local taxes levied for:

General purpose

Debt service

Other

Municipal income taxes levied for:

General purpose

Roads

Grants and entitlements not restricted to specific purposes

Investment earnings

Miscellaneous

Total general revenues

Special item - loss on sale of asset held for resale

Transfers

Total general revenues, special item and transfers

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (3,306,453)	\$ -	\$ (3,306,453)
(871,485)	-	(871,485)
(140,686)	-	(140,686)
60,037	-	60,037
(417,417)	-	(417,417)
(1,267,573)	-	(1,267,573)
(44,875)	-	(44,875)
<u>(5,988,452)</u>	<u>-</u>	<u>(5,988,452)</u>
-	123,236	123,236
-	396,070	396,070
-	221,476	221,476
-	740,782	740,782
<u>(5,988,452)</u>	<u>740,782</u>	<u>(5,247,670)</u>
393,359	-	393,359
90,086	-	90,086
1,212,223	-	1,212,223
3,562,412	-	3,562,412
535,548	-	535,548
1,178,959	-	1,178,959
118,245	-	118,245
157,524	-	157,524
<u>7,248,356</u>	<u>-</u>	<u>7,248,356</u>
(429,118)	-	(429,118)
3,812	(3,812)	-
<u>6,823,050</u>	<u>(3,812)</u>	<u>6,819,238</u>
834,598	736,970	1,571,568
14,149,714	7,025,165	21,174,879
<u>\$ 14,984,312</u>	<u>\$ 7,762,135</u>	<u>\$ 22,746,447</u>

CITY OF SHEFFIELD LAKE, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General Fund	Roads - Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 2,285,163	\$ 260,403	\$ 1,496,665	\$ 4,042,231
Income taxes receivables	1,814,120	247,380	-	2,061,500
Property taxes receivable	484,100	-	1,607,400	2,091,500
Due from other governments	184,335	-	471,341	655,676
Accounts and other receivable	298,449	-	-	298,449
Inventories and supplies	22,007	-	22,000	44,007
Prepaid expenses	34,800	-	1,500	36,300
Property held for resale	-	-	234,852	234,852
Total assets	<u>\$ 5,122,974</u>	<u>\$ 507,783</u>	<u>\$ 3,833,758</u>	<u>\$ 9,464,515</u>
Liabilities				
Accounts and contracts payable	\$ 404,668	\$ 48,573	\$ 18,920	\$ 472,161
Accrued wages and benefits	58,131	-	6,677	64,808
Accrued interest payable	-	700	-	700
Due to other governments	61,333	-	4,712	66,045
Notes payable	-	161,905	-	161,905
Accrued leave benefits	96,207	-	-	96,207
Total liabilities	<u>620,339</u>	<u>211,178</u>	<u>30,309</u>	<u>861,826</u>
Deferred inflow s of resources				
Property taxes levied for next year and unavailable resources	1,983,886	171,348	2,028,450	4,183,684
Total deferred inflow s of resources	<u>1,983,886</u>	<u>171,348</u>	<u>2,028,450</u>	<u>4,183,684</u>
Fund balances				
Nonspendable	56,807	-	258,352	315,159
Restricted	-	125,257	1,516,647	1,641,904
Assigned	1,430,768	-	-	1,430,768
Unassigned	1,031,174	-	-	1,031,174
Total fund balances	<u>2,518,749</u>	<u>125,257</u>	<u>1,774,999</u>	<u>4,419,005</u>
Total liabilities, deferred inflow s of resources and fund balances	<u>\$ 5,122,974</u>	<u>\$ 507,783</u>	<u>\$ 3,833,758</u>	<u>\$ 9,464,515</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2022

Total governmental funds balances		\$	4,419,005
Amount reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.			17,279,854
Other long term assets are not available to pay for current period expenditures and therefore are deferred inflow s in the funds:			
Property and other local taxes	\$	275,300	
Accounts and other receivables		62,526	
Municipal income tax		1,427,900	
Intergovernmental		601,758	
Total		2,367,484	
In the statement of activities, interest is accrued on outstanding long-term obligations, whereas in governmental funds, an interest expenditure is reported when due.			(7,492)
The net pension/OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflow s/outflow s are not reported in governmental funds:			
Deferred outflow s - pension		1,869,486	
Deferred inflow s - pension		(2,190,547)	
Net pension liability		(5,197,951)	
Deferred outflow s - OPEB		452,827	
Deferred inflow s - OPEB		(492,334)	
Net OPEB asset		213,341	
Net OPEB liability		(802,944)	
			(6,148,122)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Notes payable		(440,000)	
OPWC loans payable		(1,308,545)	
Leases payable		(55,558)	
Accrued leave benefits		(1,122,314)	
			(2,926,417)
Net position of governmental activities		\$	14,984,312

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Roads - Income Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and other local taxes	\$ 406,459	\$ -	\$ 1,345,609	\$ 1,752,068
Municipal income taxes	3,654,372	548,088	-	4,202,460
Intergovernmental revenue	459,492	880,427	1,290,358	2,630,277
Charges for services	1,322,952	-	-	1,322,952
Fines, licenses, and permits	284,889	-	3,150	288,039
Interest	108,319	-	9,926	118,245
Miscellaneous	288,514	-	13,159	301,673
Total revenues	6,524,997	1,428,515	2,662,202	10,615,714
Expenditures				
Current				
Security of persons and property	3,193,271	-	1,017,833	4,211,104
Leisure time activities	735,834	-	438,479	1,174,313
Community environment	181,083	-	-	181,083
Basic utility services	879,305	-	-	879,305
Transportation	-	353,572	537,715	891,287
General government	1,708,861	-	-	1,708,861
Capital outlay	-	1,230,245	215,000	1,445,245
Debt service				
Note principal	89,003	25,000	322,000	436,003
OPWC loan principal	-	58,132	-	58,132
Lease principal	19,892	-	13,418	33,310
Interest and fiscal charges	27,902	9,572	3,409	40,883
Total expenditures	6,835,151	1,676,521	2,547,854	11,059,526
Excess (deficiency) of revenues over expenditures	(310,154)	(248,006)	114,348	(443,812)
Other financing sources (uses)				
Transfers-in	-	-	405,612	405,612
Loan proceeds	-	325,400	-	325,400
Note proceeds	-	-	440,000	440,000
Inception of lease	40,292	-	20,146	60,438
Transfers-out	(400,078)	-	(1,722)	(401,800)
Total other financing sources (uses)	(359,786)	325,400	864,036	829,650
Special item				
Gain (loss) from sale of asset held for resale	200,450	-	(558,568)	(358,118)
Net change in fund balance	(469,490)	77,394	419,816	27,720
Fund balances, beginning of year	2,988,239	47,863	1,355,183	4,391,285
Fund balances, end of year	\$ 2,518,749	\$ 125,257	\$ 1,774,999	\$ 4,419,005

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

Net change in fund balances - total governmental funds	\$	27,720
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
	Capital outlay, net	\$ 1,777,560
	Depreciation expense	<u>(838,315)</u>
		939,245
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
	Municipal income tax	(104,500)
	Property and other local taxes	(56,400)
	Miscellaneous	20,256
	Intergovernmental revenue	<u>19,058</u>
		(121,586)
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities.		
	Note proceeds	(765,400)
	Inception of lease	<u>(60,438)</u>
		(825,838)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
	Note principal paid	436,003
	OPWC loan principal paid	58,132
	Lease principal paid	<u>33,310</u>
		527,445
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		
		(3,992)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
	Pension	562,818
	OPEB	<u>9,427</u>
		572,245
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension expense in the statement of activities.		
	Pension	(362,379)
	OPEB	<u>87,233</u>
		(275,146)
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Accrued leave benefits		
		<u>(5,495)</u>
Change in net position of governmental activities	\$	<u><u>834,598</u></u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Property and other local taxes	\$ 690,782	\$ 680,505	\$ 406,459	\$ (274,046)
Municipal income taxes	3,420,000	3,577,196	3,577,196	-
Intergovernmental revenue	98,450	330,544	604,591	274,047
Charges for services	314,025	328,002	349,867	21,865
Fines, licenses, and permits	181,200	199,557	199,557	-
Interest	89,000	104,144	108,319	4,175
Miscellaneous	670,076	310,380	288,514	(21,866)
Total revenues	5,463,533	5,530,328	5,534,503	4,175
Expenditures				
Current				
Security of persons and property	3,455,120	3,570,998	3,387,211	183,787
Public health and welfare	55,600	49,900	49,297	603
Leisure time activities	719,150	719,150	753,480	(34,330)
Community environment	198,400	198,400	180,916	17,484
General government	2,051,800	2,120,046	1,875,184	244,862
Capital outlay	5,000	-	-	-
Debt service				
Principal	236,000	471,450	469,286	2,164
Interest and fiscal charges	18,000	18,000	17,409	591
Total expenditures	6,739,070	7,147,944	6,732,783	415,161
Excess (deficiency) of revenues over expenditures	(1,275,537)	(1,617,616)	(1,198,280)	419,336
Other financing sources (uses)				
Sale of asset held for resale	-	200,450	200,450	-
Total other financing sources (uses)	-	200,450	200,450	-
Net change in fund balance	(1,275,537)	(1,417,166)	(997,830)	419,336
Prior year encumbrances	410,372	410,372	410,372	-
Fund balance, beginning of year	1,981,723	1,981,723	1,981,723	-
Fund balance, end of year	\$ 1,116,558	\$ 974,929	\$ 1,394,265	\$ 419,336

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022

	Roads Income Tax Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Municipal income taxes	\$ 500,000	\$ 537,564	\$ 537,564	\$ -
Total revenues	<u>500,000</u>	<u>537,564</u>	<u>537,564</u>	<u>-</u>
Expenditures				
Current				
Transportation	72,308	72,308	54,480	17,828
Capital outlay	351,532	351,532	351,349	183
Debt service				
Note principal	65,000	65,000	65,000	-
OPWC loan principal	80,060	80,060	58,132	21,928
Interest and fiscal charges	9,700	9,700	9,672	28
Total expenditures	<u>578,600</u>	<u>578,600</u>	<u>538,633</u>	<u>39,967</u>
Net change in fund balance	(78,600)	(41,036)	(1,069)	39,967
Prior year encumbrances	23,839	23,839	23,839	-
Fund balance, beginning of year	<u>161,221</u>	<u>161,221</u>	<u>161,221</u>	<u>-</u>
Fund balance, end of year	<u>\$ 106,460</u>	<u>\$ 144,024</u>	<u>\$ 183,991</u>	<u>\$ 39,967</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF FUND NET POSITION -
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Assets				
Current assets				
Equity in pooled cash	\$ 799,100	\$ 994,429	\$ 267,285	\$ 2,060,814
Accounts and other receivable	235,452	290,929	76,706	603,087
Prepaid expenses	2,000	2,000	700	4,700
Total current assets	<u>1,036,552</u>	<u>1,287,358</u>	<u>344,691</u>	<u>2,668,601</u>
Noncurrent assets				
Special assessments receivable	-	-	11,457	11,457
Net OPEB asset	55,744	60,561	14,452	130,757
Nondepreciable capital assets	56,885	33,500	127,390	217,775
Depreciable capital assets, net	2,817,209	2,024,979	4,102,569	8,944,757
Total noncurrent assets	<u>2,929,838</u>	<u>2,119,040</u>	<u>4,255,868</u>	<u>9,304,746</u>
Total assets	<u>3,966,390</u>	<u>3,406,398</u>	<u>4,600,559</u>	<u>11,973,347</u>
Deferred outflows of resources				
Pension	78,037	84,780	20,232	183,049
OPEB	2,493	2,708	646	5,847
Total deferred outflows of resources	<u>80,530</u>	<u>87,488</u>	<u>20,878</u>	<u>188,896</u>
Liabilities				
Current				
Accounts and contracts payable	54,748	25,577	38,009	118,334
Accrued wages and benefits	10,115	10,116	2,805	23,036
Accrued interest payable	5,200	-	200	5,400
Due to other governments	2,310	6,150	497	8,957
OPWC loans payable	6,454	-	15,995	22,449
OWDA loans payable	63,053	61,328	-	124,381
Leases payable	65,476	-	6,712	72,188
Total current liabilities	<u>207,356</u>	<u>103,171</u>	<u>64,218</u>	<u>374,745</u>
Long-term liabilities				
OPWC loans payable	164,583	-	7,999	172,582
OWDA loans payable	1,199,748	1,054,308	-	2,254,056
Leases payable	527,624	-	6,958	534,582
Accrued leave benefits	43,404	43,404	57	86,865
Net pension liability	162,356	176,387	42,092	380,835
Total long-term liabilities	<u>2,097,715</u>	<u>1,274,099</u>	<u>57,106</u>	<u>3,428,920</u>
Total liabilities	<u>2,305,071</u>	<u>1,377,270</u>	<u>121,324</u>	<u>3,803,665</u>
Deferred inflows of resources				
Pension	196,678	213,675	50,991	461,344
OPEB	57,595	62,572	14,932	135,099
Total deferred inflows of resources	<u>254,273</u>	<u>276,247</u>	<u>65,923</u>	<u>596,443</u>
Net position				
Net investment in capital assets	847,156	942,843	4,192,295	5,982,294
Unrestricted	640,420	897,526	241,895	1,779,841
Total net position	<u>\$ 1,487,576</u>	<u>\$ 1,840,369</u>	<u>\$ 4,434,190</u>	<u>\$ 7,762,135</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Operating revenues				
Charges for services	\$ 1,208,514	\$ 1,408,955	\$ 355,988	\$ 2,973,457
Miscellaneous	10,171	10,171	7,423	27,765
Total operating revenues	<u>1,218,685</u>	<u>1,419,126</u>	<u>363,411</u>	<u>3,001,222</u>
Operating expenses				
Personal services	320,959	293,498	61,152	675,609
Contractual services	548,905	546,621	67,776	1,163,302
Supplies and materials	59,594	32,517	42,843	134,954
Other operating	20,024	6,232	-	26,256
Depreciation	91,560	122,216	157,023	370,799
Total operating expenses	<u>1,041,042</u>	<u>1,001,084</u>	<u>328,794</u>	<u>2,370,920</u>
Operating income	<u>177,643</u>	<u>418,042</u>	<u>34,617</u>	<u>630,302</u>
Nonoperating (expenses)				
Intergovernmental revenue	-	-	187,939	187,939
Interest and fiscal charges	(54,407)	(21,972)	(1,080)	(77,459)
Net nonoperating (expenses)	<u>(54,407)</u>	<u>(21,972)</u>	<u>186,859</u>	<u>110,480</u>
Income before transfers	123,236	396,070	221,476	740,782
Transfers out	<u>-</u>	<u>-</u>	<u>(3,812)</u>	<u>(3,812)</u>
Change in net position	123,236	396,070	217,664	736,970
Net position, beginning of year	<u>1,364,340</u>	<u>1,444,299</u>	<u>4,216,526</u>	<u>7,025,165</u>
Net position, end of year	<u>\$ 1,487,576</u>	<u>\$ 1,840,369</u>	<u>\$ 4,434,190</u>	<u>\$ 7,762,135</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,192,032	\$ 1,288,733	\$ 301,415	\$ 2,782,180
Cash paid to suppliers for materials and supplies	(61,038)	(31,710)	(49,113)	(141,861)
Cash paid for employee services and benefits	(403,050)	(404,392)	(90,112)	(897,554)
Cash paid for contractual services	(454,208)	(586,233)	(17,565)	(1,058,006)
Other operating revenues	10,271	10,271	7,425	27,967
Other operating expenses	(20,760)	(6,170)	-	(26,930)
Net cash provided by operating activities	<u>263,247</u>	<u>270,499</u>	<u>152,050</u>	<u>685,796</u>
Cash flows from noncapital financing activities:				
Transfers out	-	-	(3,812)	(3,812)
Net cash (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>(3,812)</u>	<u>(3,812)</u>
Cash flows from capital and related financing activities:				
Special assessments	-	-	9,816	9,816
Payment on lease	(63,249)	-	(6,476)	(69,725)
OPWC loans payments	(6,455)	-	(15,994)	(22,449)
OWDA loan payment	(60,290)	(61,071)	-	(121,361)
Payment of interest and fiscal charges	(54,907)	(21,972)	(880)	(77,759)
Acquisition of fixed assets	(27,671)	(28,766)	(6,981)	(63,418)
Net cash (used in) capital and related financing activities	<u>(212,572)</u>	<u>(111,809)</u>	<u>(20,515)</u>	<u>(344,896)</u>
Net increase in equity in pooled cash	50,675	158,690	127,723	337,088
Equity in pooled cash, beginning of year	<u>748,425</u>	<u>835,739</u>	<u>139,562</u>	<u>1,723,726</u>
Equity in pooled cash, end of year	<u>\$ 799,100</u>	<u>\$ 994,429</u>	<u>\$ 267,285</u>	<u>\$ 2,060,814</u>
Non-cash capital and related financing transactions:				
Capital assets acquired through non-cash activities	<u>\$ 29,214</u>	<u>\$ -</u>	<u>\$ 187,939</u>	<u>\$ 217,153</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Concluded)

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 177,643	\$ 418,042	\$ 34,617	\$ 630,302
Adjustments:				
Depreciation	91,560	122,216	157,023	370,799
(Increase) decrease in assets:				
Accounts and other receivable	22,972	(120,122)	(4,190)	(101,340)
Prepaid expenses	950	950	(500)	1,400
(Increase) decrease in deferred outflow s of resources - pension	(28,225)	(27,723)	(6,345)	(62,293)
Decrease in deferred outflow s of resources - OPEB	18,957	21,863	5,334	46,154
Increase (decrease) in liabilities:				
Accounts and contracts payable	26,232	(17,575)	1,504	10,161
Accrued wages and benefits	6,270	6,238	1,677	14,185
Due to other governments	(1,831)	2,004	(274)	(101)
Accrued leave benefits	1,745	1,745	(1,556)	1,934
Net pension liability	(113,491)	(139,584)	(34,811)	(287,886)
Net OPEB liability (asset)	24,049	(24,256)	(5,616)	(5,823)
Increase (decrease) in deferred inflow s of resources - pension	75,794	75,208	17,290	168,292
Increase (decrease) in deferred inflow s of resources - OPEB	(39,378)	(48,507)	(12,103)	(99,988)
Net cash provided by operating activities	<u>\$ 263,247</u>	<u>\$ 270,499</u>	<u>\$ 152,050</u>	<u>\$ 685,796</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF FIDUCIARY NET POSITION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DECEMBER 31, 2022

	Custodial Fund
Assets	
Equity in pooled cash	\$ 5,237
Total assets	5,237
Liabilities	
Accounts payable	175
Total liabilities	175
Net position	
Restricted for individuals and organizations	\$ 5,062

	Custodial Fund
Additions	
Rental deposits	\$ 10,200
Total additions	10,200
Deductions	
Refunds of deposits	10,370
Total deductions	10,370
Net decrease in fiduciary net position	(170)
Net position at beginning of year	5,232
Net position at end of year	\$ 5,062

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Sheffield Lake, Ohio was founded in 1815. The voters originally adopted the Sheffield Lake Charter in November 1961, in order to secure the benefits of municipal home rule. Under the Ohio Constitution, the City may exercise all powers of local self-government to the extent not in conflict with applicable general laws. The City, under its charter, operates with an elected Council/Mayor form of government. The responsibilities for the major financial functions of the City are divided among the Mayor, Council, and Finance Director. The City's fiscal year corresponds with the calendar year.

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government of the City consists of all funds, agencies, departments, boards and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, sanitation, building inspection, parks and recreation, water and sewer, and mayor's court.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organizations' governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization, or 2) the City is legally entitled to or can otherwise access the organizations' resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City does not have any component units, therefore the financial statements are that of the primary government.

The City is associated with the Lorain County General Health District, a jointly governed organization, which provides health services to the members of the Health District. The City does not have any financial interest in or responsibility for the Health District. The County Auditor serves as fiscal agent. See Note 16.

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed with an aggregation program for the purchase of electricity. See Note 16.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sheffield Lake have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. FUND ACCOUNTING

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets and deferred outflows of resources are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources compared to liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

General Fund - The General fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

Roads – Income Tax Fund – This fund accounts for resources from income tax revenue and expenditures for road improvements.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund - The Water fund accounts for the operation of the City's drinking water distribution system.

Sewer Fund – The Sewer fund accounts for the operation of the City's sewer collection system.

Storm Water Fund – The Storm Water fund accounts for the operation of the City's storm water system.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The City has no trust funds. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's custodial fund accounts for rental deposits for the Community Center.

C. MEASUREMENT FOCUS

Government-wide Financial Statements

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in net position.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources along with current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Amounts reported as program revenues include: charges to customers for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues, as are taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in accordance with the proprietary fund's principle on going operations. The principle operating revenue of the City's water fund, sewer fund and storm water fund are charges for services. These funds also recognize fees intended to recover the cost of connecting new customers to the City's water and sewer utility systems as operating revenue. Operating expenses for the enterprise funds include the cost of services, administrative expenses and overhead and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

As with the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources along with all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days of year-end.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Revenues - Exchange and Non-exchange Transactions (continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees and rentals.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 23. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14).

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or decreased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were enacted by Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriations amounts passed by Council during the year.

F. CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash" on the balance sheet. Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly balances. Interest revenue credited to the General Fund during the year amounted to \$ 108,319 of which \$ 57,474 was assigned from other City Funds.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The City has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year. STAR Ohio, is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For STAR Ohio's fiscal year ended June 30, 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemptions gates. However, twenty-four hours advance notice to Public Funds Administrators is appreciated for deposits and withdrawals of \$ 100 million or more. STAR Ohio reserves the right to limit the transactions to \$ 250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$ 250 million limit. All accounts of the participant will be combined for these purposes.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out) or market. The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds.

H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at acquisition values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of streets, bridges, culverts, curbs, sidewalks, storm sewers, and water and sanitary sewer systems. Improvements are capitalized; whereas the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	30 to 50 years
Infrastructure	10 to 50 years
Equipment and vehicles	3 to 20 years

I. PROPERTY HELD FOR RESALE

Property held for resale is recorded at the lower of cost or net realizable value.

J. INTERFUND BALANCES

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund loans, which do not represent available expendable resources would be offset by an equal amount in nonspendable fund balance unless the proceeds from their collection are restricted, committed or assigned. Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. ACCRUED LEAVE BENEFITS

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

L. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. NET POSITION

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net position for the governmental activities reports \$ 3,260,558 of restricted net position, none of which is restricted by enabling legislation. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

N. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE (continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the City Council.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services primarily for water, sanitary sewer and storm water services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

P. CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. PENSIONS / OTHER POST EMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net pension/OPEB liability(asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

S. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. There were no extraordinary items during the year. The City had a special item transaction occur during the current year.

T. USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 3 CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2022, the City has implemented GASB Statement No. 87, "Leases", GASB Statement No. 91, "Conduit Debt", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus2022".

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB Statement No. 87 did not have an effect on the financial statements of the City.

GASB Statement No. 91, provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. . The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the City

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the City.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the City.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code(IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the City.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 4 BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The “Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual” is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid or encumbered (budget basis), rather than when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed or assigned fund balance (GAAP basis)

Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund and Roads – Income Tax Fund.

	<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>	<u>Roads - Income Tax Fund</u>
Budget basis	\$ (997,830)	\$ (1,069)
Adjustments, increase (decrease)		
Revenue accruals	(254,038)	1,216,351
Sale of asset held for resale	200,450	-
Expenditure accruals	999,906	(1,061,476)
Encumbrances	(519,619)	(76,412)
Net change in fund balance for funds combined with the General Fund for GASB 54	101,641	-
GAAP basis, as reported	<u>\$ (469,490)</u>	<u>\$ 77,394</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 5 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on a fund for the major governmental fund and all other governmental funds are presented below:

	General Fund	Roads - Income Tax Fund	Other Governmental Funds	Total
Nonspendable:				
Inventories and supplies	\$ 22,007	\$ -	\$ 22,000	\$ 44,007
Prepaid expenses	34,800	-	1,500	36,300
Shoreway capital project	-	-	234,852	234,852
Total nonspendable	<u>56,807</u>	<u>-</u>	<u>258,352</u>	<u>315,159</u>
Restricted for:				
Debt service	-	-	16,699	16,699
Capital projects	-	-	275,000	275,000
Highways and streets	-	125,257	649,784	775,041
Public safety	-	-	12,771	12,771
Recreation	-	-	18,877	18,877
Community environment	-	-	50,595	50,595
Federal grants	-	-	491,942	491,942
Other	-	-	979	979
Total restricted	<u>-</u>	<u>125,257</u>	<u>1,516,647</u>	<u>1,641,904</u>
Assigned for:				
Encumbrances	162,319	-	-	162,319
Next year's appropriations	870,680	-	-	870,680
Refuse services	397,769	-	-	397,769
Total assigned	<u>1,430,768</u>	<u>-</u>	<u>-</u>	<u>1,430,768</u>
Unassigned	<u>1,031,174</u>	<u>-</u>	<u>-</u>	<u>1,031,174</u>
Total fund balances	<u>\$ 2,518,749</u>	<u>\$ 125,257</u>	<u>\$ 1,774,999</u>	<u>\$ 4,419,005</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the City has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. Obligations of the United States including U.S. treasury securities and government agency securities guaranteed by the United States.
2. United States government agency securities and the securities issued by instrumentalities of the U.S. including, but not limited to, obligations of the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Farm Credit Bank, the Federal Home Loan Bank, the Government National Mortgage Association (GNMA), and the Small Business Administration (SBA).
3. State Treasury Asset Reserve of Ohio (STAR Ohio).
4. Obligations of the State of Ohio and obligations of political subdivisions of the State of Ohio.
5. Deposits of any Ohio financial institution subject to collateralization of public funds defined by the Ohio Revised Code.
6. Bankers Acceptances and Deposits of the top fifty banks in the United States based upon asset size or Ohio based financial institutions with at least \$2 billion in total assets.
7. Prime Commercial Paper issued with a credit rating of P-1 by Standard & Poor's Corporation or A-1 by Moody's rating service.
8. Obligations of corporate entities having debt rating of Aa or better by Standard & Poor's Corporation or Moody's rating service.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. DEPOSITS AND CASH ON HAND

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. At fiscal year end, the carrying amount of the City's deposits was \$ 539,729 and the bank balance was \$ 1,069,635. Of the bank balance, \$ 250,000 was covered by federal depository insurance and \$ 819,635 by collateral held by third party trustees in accordance with the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, which amount is considered uncollateralized as defined by the Governmental Accounting Standards Board.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

	<u>Maturities</u>	<u>Fair Value</u>
STAR Ohio	<u>31.9 days</u>	<u>\$ 5,568,553</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2022. As discussed further in Note 2F, STAR Ohio is reported at its share price. All other investments of the City are valued using quoted market prices (Level 1 inputs).

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

D. INTEREST RATE RISK

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

E. CREDIT RISK

The City follows the Ohio Revised Code that limits its investment choices

F. CONCENTRATION OF CREDIT RISK

The City places no limit on the amount that may be invested in any one issuer.

NOTE 7 RECEIVABLES

Receivables at December 31, 2022 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, and accounts (billings for utility service).

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

A. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility tangible personal property located in the City. Property tax revenue received during 2022 for real and public utility property taxes represents collections of the 2021 taxes. Property tax payments received during 2022 for tangible personal property (other than public utility property) is for 2022 taxes.

2022 real property taxes are levied after October 1, 2022, on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2022 real property taxes are collected in and intended to finance 2022.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2022 public utility property taxes became a lien December 31, 2021, are levied after October 1, 2022, and are collected in 2022 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2022 was \$ 19.36 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2022 property tax receipts were based are as follows:

Property valuation consisted of:	
Real property	
Residential/agricultural	\$ 172,385,580
Commercial/industrial	20,819,240
Tangible personal property	
Public utilities	3,414,570
Total valuation	\$ 196,619,390

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7 RECEIVABLES (continued)

A. PROPERTY TAXES (continued)

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Sheffield Lake. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility personal property taxes and outstanding delinquencies which are measurable as of December 31, 2022 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by a credit to deferred inflows of resources since the current taxes were not levied to finance 2022 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is recorded to deferred inflows of resources.

B. INCOME TAXES

The City levies an income tax of 2.0% on substantially all income earned within the City. In addition, residents are required to pay City income tax on income earned outside the City with a certain credit for income taxes paid to other municipalities. Employers within the City are required to withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and file a final return annually.

C. DUE FROM OTHER GOVERNMENTS

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Local government assistance	\$ 152,077
Gasoline tax	318,077
Permissive tax	54,464
Homestead and rollback	128,500
Miscellaneous	2,558
Total governmental activities	\$ 655,676

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 8 CAPITAL ASSETS

A summary of changes in capital assets during 2022 follows:

	Balance January 1	Additions	Disposals	Balance December 31
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 511,424	\$ -	\$ -	\$ 511,424
Construction in progress	1,925,581	694,332	1,684,545	935,368
Total capital assets, not being depreciated	<u>2,437,005</u>	<u>694,332</u>	<u>1,684,545</u>	<u>1,446,792</u>
Capital assets, being depreciated				
Buildings and improvements	5,472,142	92,984	16,241	5,548,885
Equipment and vehicles	3,738,526	104,737	144,954	3,698,309
Infrastructure	41,320,485	2,641,052	-	43,961,537
Total capital assets being depreciated	<u>50,531,153</u>	<u>2,838,773</u>	<u>161,195</u>	<u>53,208,731</u>
Less accumulated depreciation				
Buildings and improvements	2,021,364	129,843	3,817	2,147,390
Equipment and vehicles	2,113,389	199,557	86,378	2,226,568
Infrastructure	32,492,796	508,915	-	33,001,711
Total accumulated depreciation	<u>36,627,549</u>	<u>838,315</u>	<u>90,195</u>	<u>37,375,669</u>
Total capital assets being depreciated, net	<u>13,903,604</u>	<u>2,000,458</u>	<u>71,000</u>	<u>15,833,062</u>
Total governmental capital assets, net	<u>\$ 16,340,609</u>	<u>\$ 2,694,790</u>	<u>\$ 1,755,545</u>	<u>\$ 17,279,854</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated				
Land	\$ 153,910	\$ -	\$ -	\$ 153,910
Construction in progress	18,334	63,865	18,334	63,865
Total capital assets, not being depreciated	<u>172,244</u>	<u>63,865</u>	<u>18,334</u>	<u>217,775</u>
Capital assets, being depreciated				
Buildings and improvements	150,818	-	-	150,818
Equipment and vehicles	1,881,644	28,766	-	1,910,410
Infrastructure	14,675,125	206,274	-	14,881,399
Total capital assets being depreciated	<u>16,707,587</u>	<u>235,040</u>	<u>-</u>	<u>16,942,627</u>
Less accumulated depreciation				
Buildings and improvements	61,232	2,715	-	63,947
Equipment and vehicles	783,346	57,889	-	841,235
Infrastructure	6,782,493	310,195	-	7,092,688
Total accumulated depreciation	<u>7,627,071</u>	<u>370,799</u>	<u>-</u>	<u>7,997,870</u>
Total capital assets being depreciated, net	<u>9,080,516</u>	<u>(135,759)</u>	<u>-</u>	<u>8,944,757</u>
Total business-type capital assets, net	<u>\$ 9,252,760</u>	<u>\$ (71,894)</u>	<u>\$ 18,334</u>	<u>\$ 9,162,532</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 8 CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Security of persons and property	\$	121,062
Leisure time activities		110,302
Basic utility services		526,843
Transportation		39,554
General government		40,554
		\$ 838,315

NOTE 9 NOTES PAYABLE

Short-term notes payable during the year consisted of the following general obligation bond anticipation and tax anticipation notes:

	Balance January 1	Additions	Reductions	Balance December 31
Governmental activities				
Short-term notes payable				
Bond anticipation notes				
Shoreway Capital Project fund				
2.25% issued 10/20/21 due 10/21/22	\$ 400,000	\$ -	\$ 400,000	\$ -
Tax anticipation note				
Street improvements				
4.78% issued 4/12/07 due 4/1/27	201,905	-	40,000	161,905
	\$ 601,905	\$ -	\$ 440,000	\$ 161,905

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 10 LONG-TERM DEBT

The original issue date, interest rate, original issue amount and date of maturity of each of the City's long-term loans and notes follow:

Debt Issue	Original Issue Date	Maturity Date	Interest Rate	Original Issue Amount
<u>Governmental activities</u>				
Ohio Public Works loan	2007	2028	0.00%	\$ 99,190
Ohio Public Works loan	2007	2028	0.00%	\$ 25,264
Ohio Public Works loan	2010	2030	0.00%	\$ 100,000
Ohio Public Works loan	2010	2030	0.00%	\$ 118,172
Ohio Public Works loan	2017	2033	0.00%	\$ 235,500
Ohio Public Works loan	2019	2040	0.00%	\$ 363,545
Ohio Public Works loan	2020	2040	0.00%	\$ 550,000
Bond anticipation note	2022	2023	3.65%	\$ 440,000
<u>Business-type activities</u>				
Ohio Public Works loan	2003	2024	0.00%	\$ 140,949
Ohio Public Works loan	2003	2024	0.00%	\$ 81,187
Ohio Public Works loan	2003	2024	0.00%	\$ 97,793
Ohio Public Works loan	2022	2043	0.00%	\$ 225,000
Ohio Public Works loan	2022	2043	0.00%	\$ 100,400
Ohio Water Development Authority loan	2016	2036	1.310%	\$ 337,586
Ohio Water Development Authority loan	2017	2037	3.530%	\$ 558,960
Ohio Water Development Authority loan	2019	2039	2.080%	\$ 1,031,802
Ohio Water Development Authority loan	2019	2039	2.410%	\$ 250,875
Ohio Water Development Authority loan	2020	2040	1.620%	\$ 527,741

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 10 LONG-TERM DEBT (continued)

Changes in the City's long-term obligations during 2022 were as follows:

	Balance January 1	Additions	Reductions	Balance December 31	Due in One Year
<u>Governmental activities</u>					
Net pension liability					
OPERS	\$ 1,003,082	\$ -	\$ 381,717	\$ 621,365	\$ -
OP&F	4,900,819	-	324,233	4,576,586	-
Total net pension liability	<u>5,903,901</u>	<u>-</u>	<u>705,950</u>	<u>5,197,951</u>	<u>-</u>
Net OPEB liability					
OP&F	761,688	41,256	-	802,944	-
Total net OPEB liability	<u>761,688</u>	<u>41,256</u>	<u>-</u>	<u>802,944</u>	<u>-</u>
911 system improvement note	11,003	-	11,003	-	-
OPWC loans	1,041,276	325,400	58,132	1,308,544	73,866
Bond anticipation note	425,000	440,000	425,000	440,000	440,000
Financed purchases	28,430	60,438	33,310	55,558	34,686
Accrued leave benefits	1,437,712	101,702	320,892	1,218,522	96,207
Total governmental activities	<u>\$ 9,609,010</u>	<u>\$ 968,796</u>	<u>\$ 1,554,287</u>	<u>\$ 9,023,519</u>	<u>\$ 644,759</u>
<u>Business-type activities</u>					
Net pension liability - OPERS					
Water	\$ 275,847	\$ -	\$ 113,491	\$ 162,356	\$ -
Sewer	315,971	-	139,584	176,387	-
Storm Water	76,903	-	34,811	42,092	-
Total net pension liability	<u>668,721</u>	<u>-</u>	<u>287,886</u>	<u>380,835</u>	<u>-</u>
OPWC loans	217,482	-	22,449	195,033	22,449
OWDA loans	2,383,132	116,666	121,361	2,378,437	124,381
Financed purchases	656,349	20,146	69,725	606,770	72,188
Accrued leave benefits	84,929	11,371	9,437	86,863	-
Total business-type activities	<u>\$ 4,010,613</u>	<u>\$ 148,183</u>	<u>\$ 510,858</u>	<u>\$ 3,647,938</u>	<u>\$ 219,018</u>

General obligation anticipation notes are direct obligations of the City for which its full faith and credit are pledged for payment. The general obligation bonds are paid from Storm Water Fund revenues. Long-term notes payable are paid from the General Fund, Capital Improvements Fund, and the Water Fund. OPWC loan payments are paid from the General Fund and from the respective special revenue, capital project and enterprise funds. OWDA loan payments are paid from the Sewer Fund. Accrued leave benefits will be paid from the funds from which employees' wages are paid.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 10 LONG-TERM DEBT (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2022, excluding accrued leave benefits, are as follows:

Year	Governmental Activities		Business-Type Activities			
	OPWC Loans	OWDA Loan		OPWC Loans	Total	
	Principal	Principal	Interest	Principal	Principal	Interest
2023	\$ 73,866	\$ 124,381	\$ 52,667	\$ 22,449	\$ 146,830	\$ 52,667
2024	73,868	127,172	49,876	14,449	141,621	49,876
2025	73,868	130,031	47,015	6,454	136,485	47,015
2026	73,868	132,963	44,082	6,454	139,417	44,082
2027	73,867	135,968	41,076	6,454	142,422	41,076
2028-2032	329,510	727,627	157,600	32,270	759,897	157,600
2033-2037	218,502	764,337	70,427	32,270	796,607	70,427
2038-2042	205,770	235,958	6,609	32,280	268,238	6,609
2043-2047	137,825			32,275	32,275	-
2048-2051	47,600			9,678	9,678	-
	<u>\$1,308,544</u>	<u>\$ 2,378,437</u>	<u>\$ 469,352</u>	<u>\$ 195,033</u>	<u>\$ 2,573,470</u>	<u>\$ 469,352</u>

The City has entered into financed purchase agreements for the purchase of various items. The payments are made from the General Fund, non-major Special Revenue Funds (Street Construction and Maintenance Fund and Refuse Fund) and the Storm Water Fund. The terms of the agreements are:

	Beginning Date	Years	Ending Date	Payment Method
John Deere Financial	2019	4	2023	Annually
John Deere Financial	2022	4	2023	Annually
Capital One Public Funding	2015	15	2030	Semi-annually

The following is a schedule of future payments under the lease agreements:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 34,686	\$ 2,196	\$ 36,882
2024	20,872	762	21,634
	<u>\$ 55,558</u>	<u>\$ 2,958</u>	<u>\$ 58,516</u>

Year ending June 30,	Business-type Activities		
	Principal	Interest	Total
2023	\$ 72,188	\$ 20,632	\$ 92,820
2024	74,739	18,082	92,821
2025	70,167	15,442	85,609
2026	72,637	12,971	85,608
2027	75,195	10,414	85,609
2028 - 2030	241,844	14,983	256,827
	<u>\$ 606,770</u>	<u>\$ 92,524</u>	<u>\$ 699,294</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 11 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. For the past several years, settled claims from these risks have not exceeded coverage.

NOTE 12 FEDERAL GRANTS AND ENTITLEMENTS

For the year ended December 31, 2022, the City recognized federal grants and entitlements. These programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2022.

NOTE 13 DEFINED BENEFIT PENSION PLANS

A. NET PENSION LIABILITY

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 DEFINED BENEFIT PENSION PLANS (continued)

B. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS ACFR referenced above for additional information including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and service requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and service requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and service requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of living adjustment.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 DEFINED BENEFIT PENSION PLANS (continued)

B. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2022 Statutory maximum contribution rates	
Employer	14.0%
Employee	10.0%
2022 Actual contribution rates	
Employer	
Pension	14.0%
Post-employment health care benefits	0.0%
Total employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$ 252,950 for 2022. Of this amount, \$ 25,868 is reported as due to other governments.

C. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member’s average annual salary. The following discussion of the pension formula relates to normal service retirement. The following discussion of the pension formula relates to normal service retirement. For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

C. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF) (continued)

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013 and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, rounded to the nearest one-tenth of one percent. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 and members who are receiving a pension benefit that became effective before July 1, 2013, is equal to three percent of their base pension benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2022 Statutory maximum contribution rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2022 Actual contribution rates		
Employer		
Pension	19.00%	23.50%
Post-employment health care benefits	0.50%	0.50%
Total employer	19.50%	24.00%
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$ 405,989 for 2022. Of this amount \$ 42,748 is reported as due to other governments.

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The net pension liability for OPERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 1,002,200	\$ 4,576,586	\$ 5,578,786
Pension expense	\$ (115,039)	\$ 391,652	\$ 276,613
Proportion of the net pension liability			
Prior measurement date	0.0112900%	0.0718902%	
Current measurement date	<u>0.0115190%</u>	<u>0.7325560%</u>	
Change in proportionate share	<u>-0.0002290%</u>	<u>-0.6606658%</u>	

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Difference between expected and actual experience	\$ 51,091	\$ 131,962	\$ 183,053
Change in assumptions	125,324	836,403	961,727
Changes in proportionate share and difference between City's contributions and proportionate share of contributions	52,342	196,474	248,816
City contributions subsequent to the measurement date	<u>252,950</u>	<u>405,989</u>	<u>658,939</u>
Total deferred outflows of resources	<u>\$ 481,707</u>	<u>\$ 1,570,828</u>	<u>\$ 2,052,535</u>
Deferred inflows of resources			
Difference between expected and actual experience	\$ 21,981	\$ 237,920	\$ 259,901
Net difference between projected and actual earnings on pension plan investments	<u>1,192,080</u>	<u>1,199,910</u>	<u>2,391,990</u>
Total deferred inflows of resources	<u>\$ 1,214,061</u>	<u>\$ 1,437,830</u>	<u>\$ 2,651,891</u>

\$ 658,939 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

D. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

Year Ending December 31:	OPERS	OP&F	Total
2023	\$ (114,346)	\$ 58,062	\$ (56,284)
2024	(401,019)	(269,923)	(670,942)
2025	(280,306)	(90,241)	(370,547)
2026	(189,633)	(72,485)	(262,118)
2027	-	101,596	101,596
Total	<u>\$ (985,304)</u>	<u>\$ (272,991)</u>	<u>\$ (1,258,295)</u>

E. ACTUARIAL ASSUMPTIONS – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Actuarial Cost	Individual Entry Age
Investment Rate of Return	6.9 percent
Wage Inflation	2.75 percent
Projected Salary Increases	2.75 to 10.75 percent (includes wage inflation at 2.75%)
COLA or Ad Hoc COLA	Pre-1/7/2013 retirees: 3 percent, simple Post-1/7/2013 retirees: 3 percent, simple through 2022, then 2.05 percent simple

In July 2021, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 0.5 percent simple through 2021 then 2.15 percent simple to 3.00 percent simple through 2022 then 2.05 percent simple.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – OPERS (continued)

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 15.3% for 2021.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board’s investment consultant.

The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	25.00%	1.32%
Domestic equities	21.00%	5.64%
Real estate	10.00%	5.39%
Private equity	12.00%	10.42%
International equities	23.00%	7.36%
Other investments	9.00%	4.75%
Total	<u>100.00%</u>	<u>5.43%</u>

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

E. ACTUARIAL ASSUMPTIONS – OPERS (continued)

Discount Rate - The discount rate used to measure the total pension liability/asset was 6.90%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2021 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of the net pension liability	\$ 2,642,343	\$ 1,002,200	\$ (362,618)

F- ACTUARIAL ASSUMPTIONS – OPF

OPF's total pension liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

F- ACTUARIAL ASSUMPTIONS – OPF (continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2022, are presented below:

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumption	
Experience Study Date	5 year period ended December 31, 2016
Investment Rate of Return	7.50 percent
Cost of Living Adjustments	2.2 per year simple
Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of .5 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five year period ended December 31, 2016.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

F- ACTUARIAL ASSUMPTIONS – OPF (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in OPF's Statement of Investment Policy. A forecasted rate of inflation serves as a baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2021 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash and cash equivalents	0.00%	0.00%
Domestic equity	21.00%	4.10%
Non-US equity	14.00%	4.80%
Private markets	8.00%	6.40%
Core fixed income *	23.00%	0.90%
High yield fixed income	7.00%	3.00%
Private credit	5.00%	4.50%
U.S. inflation linked bonds *	17.00%	0.70%
Midstream energy infrastructure	5.00%	5.60%
Real assets	8.00%	5.80%
Gold	5.00%	1.90%
Private real estate	12.00%	5.30%
Total	<u>125.00%</u>	

Note: Assumptions are geometric * levered 2x

OPF's Board of Trustees has incorporated the risk parity concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 8.00 percent was used in the previous measurement year. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 7.50 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

F- ACTUARIAL ASSUMPTIONS – OPF (continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 6,787,014	\$ 4,576,586	\$ 2,735,846

NOTE 14 – DEFINED BENEFIT OPEB PLANS

A. NET OPEB LIABILITY/(ASSET)

The net OPEB liability/(asset) reported on the statement of net position represents a liability/(asset) to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/(asset) represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/(asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City's obligation for this liability/(asset) to annually required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability/(asset) is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/(asset). Resulting adjustments to the net OPEB liability/(asset) would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

A. NET OPEB LIABILITY/ASSET (continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability/(asset)* on the accrual basis of accounting. Any liability/(asset) for the contractually-required OPEB contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

B. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled. OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance. Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and reemployed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

B. PLAN DESCRIPTION – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0 percent during calendar year 2022. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan health care accounts for 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$ 0 for 2022.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

C. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OPF provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OPF contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

A retiree is eligible for the OPF health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OPF member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

C. PLAN DESCRIPTION – OHIO POLICE & FIRE PENSION FUND (OPF) (continued)

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2022, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's contractually required contribution to OP&F was \$ 9,427 for 2022. Of this amount, \$ 1,002 is reported as an intergovernmental payable.

D. OPEB LIABILITIES/(ASSET), OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

The net OPEB liability/(asset) and total OPEB liability/(asset) for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OPF's total OPEB liability/(asset) was measured as of December 31, 2021, and was determined by rolling forward the total OPEB liability/(asset) as of January 1, 2021 to December 31, 2021. The City's proportion of the net OPEB liability/(asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net OPEB liability (asset)	\$ (344,098)	\$ 802,944	\$ 458,846
OPEB expense	\$ (269,584)	\$ 74,596	\$ (194,988)
Proportion of the net OPEB liability			
Prior measurement date	0.0107810%	0.0718902%	
Current measurement date	0.0109860%	0.0732556%	
Change in proportionate share	<u>-0.0002050%</u>	<u>-0.0013654%</u>	

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 14 – DEFINED BENEFIT OPEB PLANS (continued)

D. OPEB LIABILITIES/(ASSET), OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (continued)

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred outflows of resources			
Difference between expected and actual experience	\$ -	\$ 36,527	\$ 36,527
Change in assumptions	-	355,408	355,408
Changes in proportionate share and difference between City's contributions and proportionate share of contributions	15,386	41,926	57,312
City contributions subsequent to the measurement date	-	9,427	9,427
Total deferred outflows of resources	<u>\$ 15,386</u>	<u>\$ 443,288</u>	<u>\$ 458,674</u>
Deferred inflows of resources			
Difference between expected and actual experience	\$ 52,194	\$ 106,120	\$ 158,314
Change in assumptions	139,287	93,257	232,544
Net difference between projected and actual earnings on pension plan investments	164,042	72,533	236,575
Total deferred inflows of resources	<u>\$ 355,523</u>	<u>\$ 271,910</u>	<u>\$ 627,433</u>

\$ 9,427 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2023	\$ (205,088)	\$ 41,982	\$ (163,106)
2024	(75,648)	31,214	(44,434)
2025	(35,842)	34,843	(999)
2026	(23,559)	11,878	(11,681)
2027	-	21,122	21,122
Thereafter	-	20,912	20,912
Total	<u>\$ (340,137)</u>	<u>\$ 161,951</u>	<u>\$ (178,186)</u>

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

E. ACTUARIAL ASSUMPTIONS - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Actuarial Cost Method	Individual Entry Age
Single Discount Rate:	
Current measurement date	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	1.84 percent
Wage Inflation	2.75 percent
Projected Salary Increases	2.75 to 10.75 percent (includes wage inflation at 2.75%)
Health Care Cost Trend Rate	5.50 percent, initial, 3.50 percent, ultimate in 2034

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five year period ended December 31, 2020.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

E. ACTUARIAL ASSUMPTIONS – OPERS (continued)

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and healthcare-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.3 percent for 2021.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-term Expected Real Rate of Return (Arithmetic)
Fixed income	34.00%	1.07%
Domestic equities	25.00%	5.64%
Real estate	7.00%	6.48%
International equities	25.00%	7.36%
Other investments	9.00%	4.02%
Total	100.00%	4.43%

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

E. ACTUARIAL ASSUMPTIONS – OPERS (continued)

Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2021. A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability/Asset to Changes in the Discount Rate - The following table presents the City's proportionate share of the net OPEB liability/(asset) calculated using the single discount rate of 6.0 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.0 percent) or one-percentage-point higher (7.0 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net pension liability/(asset)	\$ (202,362)	\$ (344,098)	\$ (461,742)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability/(asset) to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability/(asset). The following table presents the net OPEB liability/(asset) calculated using the assumed trend rates, and the expected net OPEB liability/(asset) if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net pension liability/(asset)	\$ (347,817)	\$ (344,098)	\$ (339,687)

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

F. ACTUARIAL ASSUMPTIONS – OPF

OPF’s total OPEB liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2021, with actuarial liabilities forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumption	
Experience Study Date	5 year period ended December 31, 2016
Investment Rate of Return	OP& F OPEB long term rate is 7.50 percent
Cost of Living Adjustments	2.2 percent simple per year
Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	3.25 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

F. ACTUARIAL ASSUMPTIONS – OP&F (continued)

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five year period ended December 31, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2021, are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash and cash equivalents	0.00%	0.00%
Domestic equity	21.00%	3.60%
Non-US equity	14.00%	4.40%
Private markets	8.00%	6.80%
Core fixed income *	23.00%	1.10%
High yield fixed income	7.00%	3.00%
Private credit	5.00%	4.50%
U.S. inflation linked bonds *	17.00%	80.00%
Midstream energy infrastructure	5.00%	5.00%
Real assets	8.00%	5.90%
Gold	5.00%	2.40%
Private real estate	12.00%	4.80%
Total	125.00%	

Note: Assumptions are geometric

* levered 2x

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

F. ACTUARIAL ASSUMPTIONS – OPF (continued)

OPF’s Board of Trustees has incorporated the risk parity concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 7.50 percent. Based on those assumptions, OPF’s fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, a municipal bond rate of 2.05 percent at December 31, 2021 and 2.12 percent at December 31, 2020 was blended with the long-term rate of 7.50 percent, which resulted in a blended discount rate of 2.84 percent.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.84 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.84 percent), or one percentage point higher (3.84 percent) than the current rate.

	1% Decrease (1.84%)	Current Discount Rate (2.84%)	1% Increase (3.84%)
City’s proportionate share of the net pension liability	\$ 1,009,319	\$ 802,944	\$ 633,304

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 15 INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2022 consisted of the following transfers:

	Transfers from:		
	General Fund	Non-major Governmental Funds	Storm Water Fund
Transfers to:			
Non-major Governmental Funds	\$ 400,078	\$ 1,722	\$ 3,812

The General Fund transfer Non-major Governmental Funds was made for payment on short term bond anticipation notes. The General Fund and Non-major Governmental Fund transfers to Non-major Governmental Funds were made to account for payment on short term bond anticipation notes. The transfer from the Storm Water Fund was made for payment on a lease.

NOTE 16 JOINTLY GOVERNED ORGANIZATIONS

A. LORAIN COUNTY GENERAL HEALTH DISTRICT

The Lorain County General Health District, a jointly governed organization, provides health care services to the citizens within the Health District. The Health District is governed by the Board of Health which represents the area served by the Health District and oversees the operation of the Health District. The Board of Health members are appointed to staggered four year terms. One member is appointed by the City of North Ridgeville, one member is jointly appointed by the Cities of Avon and Sheffield Lake and one member is appointed jointly by the Cities of Amherst and Oberlin. The remaining four members are appointed by the various mayors of villages, chairmen of the township trustees and the County Commissioners. Financial information can be obtained by contacting the Health Commissioner, 9880 S. Murray Ridge Road, Elyria, Ohio 44035.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 16 JOINTLY GOVERNED ORGANIZATIONS (continued)

B. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2021. Financial information can be obtained by contacting the Chuck Keiper, Executive Director, 31320 Solon Road, Suite 33, Solon, Ohio 44139.

NOTE 17 CONTINGENCIES

The City is defendant in certain lawsuits, the outcome of which cannot be determined. It is the opinion of the City's management that any judgment against the City would not have a material adverse effect on the City's financial position.

NOTE 18 PROPERTY ON LEASE TO OTHERS

The City leases building space in the Shoreway Shopping Center to various commercial enterprises. The leases in effect as of December 31, 2022 have varying lease terms through 2024. All leases include renewal options that are not reflected in the amounts noted here. The Shoreway Shopping Center is accounted for as property held for resale at a cost of \$ 234,852. Rental income from the leases totaled \$ 34,645 during the year ended December 31, 2022. Future minimum rentals to be received under these leases as of December 31, 2022 are as follows:

Year ending December 31	Amount
2023	\$ 18,549
2024	16,096
	<u>\$ 34,645</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 19 SPECIAL ITEM

During the year ended December 31, 2022, the City sold a portion of the Shoreway Shopping Center, which is accounted for as Property held for resale. Approximately 70% of the total asset was sold for \$ 200,450 which resulted in a loss of \$ 358,118, in the statement of activities and the statement of revenues, expenditures and changes in fund balances.

NOTE 20 – ASSET RETIREMENT OBLIGATIONS

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage treatment system to the Ohio EPA for approval. Through this permitting process, the City would be responsible to address any public safety issues associated with their sewage treatment facilities, requiring the City to record an asset retirement obligation (ARO). There may be additional AROs related to public safety issues; however, these amounts are not reasonably estimable. Currently, there is significant uncertainty as to what items would need to be addressed; therefore, a reliable estimated amount could not be determined.

NOTE 21 – COMPLIANCE AND ACCOUNTABILITY

Not apparent in the basic financial statements is a deficit fund balance of \$ 228,422 in the Bond Construction Fund. The deficit results from reflecting a bond anticipation note on the modified accrual basis of accounting.

NOTE 22 – SUBSEQUENT EVENT

In August 2023, the City issued Various Purpose General Obligation Notes, Series 2023 in the amount of \$ 575,000 for the purpose of paying down the Series 2022 notes and the purchases of an emergency medical services vehicle and a truck/vacuum equipment. The Series 2023 notes have an interest rate of 5.22 percent and will mature on August 2, 2024.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL PLAN

LAST NINE YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.0115190%	0.0112900%	0.0108620%	0.0111170%
City's proportionate share of the net pension liability	\$ 1,002,200	\$ 1,671,803	\$ 2,146,948	\$ 3,044,721
City's covered payroll	\$ 1,713,195	\$ 1,630,524	\$ 1,561,955	\$ 1,498,635
City's proportionate share of the net pension liability as a percentage of its covered payroll	58.50%	102.53%	137.45%	203.17%
Plan fiduciary net position as a percentage of the total pension liability	92.62%	86.88%	82.17%	74.70%

(1) Information prior to 2013 is not available

Amounts presented as of the City's measurement date, which is the prior fiscal year end.

See notes to required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0106200%	0.011020%	0.010849%	0.011403%	0.00011403
\$ 1,666,072	\$ 2,502,455	\$ 1,878,800	\$ 1,375,015	\$ 1,344,179
\$ 1,404,869	\$ 1,473,055	\$ 1,353,132	\$ 1,400,930	\$ 1,332,876
118.59%	169.88%	138.85%	98.15%	100.85%
84.66%	77.25%	81.08%	86.45%	86.36%

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO POLICE AND FIRE PENSION FUND

LAST NINE YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.0732556%	0.0718902%	0.0706728%	0.0690680%
City's proportionate share of the net pension liability	\$ 4,576,586	\$ 4,900,819	\$ 4,760,897	\$ 5,637,774
City's covered payroll	\$ 1,831,808	\$ 1,732,957	\$ 1,648,341	\$ 1,525,515
City's proportionate share of the net pension liability as a percentage of its covered payroll	249.84%	282.80%	288.83%	369.57%
Plan fiduciary net position as a percentage of the total pension liability	75.03%	70.65%	69.89%	63.07%

(1) Information prior to 2013 is not available

(2) The City's Proportionate Share of the Net Pension Liability for 2014 has changed due to a restatement by the Ohio Police and Fire Pension Fund.

Amounts presented as of the City's measurement date, which is the prior fiscal year end.

See notes to required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0684960%	0.0679970%	0.0647790%	0.0668390%	0.0668390%
\$ 4,203,909	\$ 4,306,862	\$ 4,167,279	\$ 3,547,890	\$ 3,255,269
\$ 1,462,407	\$ 1,422,505	\$ 1,302,997	\$ 1,250,429	\$ 1,311,619
287.47%	302.77%	319.82%	283.73%	248.19%
70.91%	68.36%	66.77%	71.71%	73.00%

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS - PENSION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL PLAN

LAST TEN YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 252,950	\$ 239,847	\$ 228,273	\$ 218,674
Contributions in relation to the contractually required contributions	<u>(252,950)</u>	<u>(239,847)</u>	<u>(228,273)</u>	<u>(218,674)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,806,782	\$ 1,713,195	\$ 1,630,524	\$ 1,561,955
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

(1) Information prior to 2013 is not available

See notes to required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 209,809	\$ 182,633	\$ 176,766	\$ 162,376	\$ 168,112	\$ 173,274
<u>(209,809)</u>	<u>(182,633)</u>	<u>(176,766)</u>	<u>(162,376)</u>	<u>(168,112)</u>	<u>(173,274)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,498,635	\$ 1,404,869	\$ 1,473,055	\$ 1,353,132	\$ 1,400,930	\$ 1,332,876
14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS - PENSION
OHIO POLICE AND FIRE PENSION FUND

LAST TEN YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 405,989	\$ 395,512	\$ 372,782	\$ 355,212
Contributions in relation to the contractually required contributions	<u>(405,989)</u>	<u>(395,512)</u>	<u>(372,782)</u>	<u>(355,212)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,885,457	\$ 1,831,808	\$ 1,732,957	\$ 1,648,341
Contributions as a percentage of covered payroll	21.53%	21.59%	21.51%	21.55%

See notes to required supplementary information

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 330,756	\$ 316,853	\$ 309,671	\$ 284,869	\$ 274,427	\$ 205,354
<u>(330,756)</u>	<u>(316,853)</u>	<u>(309,671)</u>	<u>(284,869)</u>	<u>(274,427)</u>	<u>(205,354)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,525,515	\$ 1,462,407	\$ 1,422,505	\$ 1,302,997	\$ 1,250,429	\$ 1,311,619
21.68%	21.67%	21.77%	21.86%	21.95%	15.66%

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL PLAN

LAST SIX YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net OPEB liability	0.0109860%	0.0107810%	0.0103450%	0.0103520%
City's proportionate share of the net OPEB liability (asset)	\$ (344,098)	\$ (192,092)	\$ 1,428,913	\$ 1,349,656
City's covered payroll	\$ 1,713,195	\$ 1,630,524	\$ 1,561,955	\$ 1,498,635
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	-20.09%	-11.78%	91.48%	90.06%
Plan fiduciary net position as a percentage of the total OPEB liability	128.23%	115.57%	47.80%	46.33%

(1) This schedule is intended to reflect information for ten year, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date, which is the prior fiscal year end.

See notes to required supplementary information

<u>2018</u>	<u>2017</u>
0.009920%	0.010271%
\$ 1,077,239	\$ 1,001,954
\$ 1,404,869	\$ 1,473,055
76.68%	68.02%
54.14%	54.04%

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO POLICE AND FIRE PENSION FUND

LAST SIX YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net OPEB liability	0.0732556%	0.0718902%	0.0706728%	0.0690680%
City's proportionate share of the net OPEB liability	\$ 802,944	\$ 761,688	\$ 698,087	\$ 628,970
City's covered payroll	\$ 1,831,808	\$ 1,732,957	\$ 1,648,341	\$ 1,525,515
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	43.83%	43.95%	42.35%	41.23%
Plan fiduciary net position as a percentage of the total OPEB liability	46.90%	45.40%	47.10%	46.57%

(1) This schedule is intended to reflect information for ten year, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date, which is the prior fiscal year end.

See notes to required supplementary information

<u>2018</u>	<u>2017</u>
0.0684960%	0.0679970%
\$ 3,880,887	\$ 3,227,665
\$ 1,462,407	\$ 1,422,505
265.38%	226.90%
14.13%	15.96%

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS - OPEB
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL PLAN

LAST SEVEN YEARS (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,806,782	\$ 1,713,195	\$ 1,630,524	\$ 1,561,955
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

(1) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans, therefore, information prior to 2016 is not presented.

(2) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

See notes to required supplementary information

<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ -	\$ 14,049	\$ 29,461
<u>-</u>	<u>(14,049)</u>	<u>(29,461)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,498,635	\$ 1,404,869	\$ 1,473,055
0.00%	1.00%	2.00%

CITY OF SHEFFIELD LAKE, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS - OPEB
OHIO POLICE AND FIRE PENSION FUND

LAST TEN YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 9,427	\$ 9,159	\$ 8,665	\$ 8,242
Contributions in relation to the contractually required contributions	<u>(9,427)</u>	<u>(9,159)</u>	<u>(8,665)</u>	<u>(8,242)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll	\$ 1,885,457	\$ 1,831,808	\$ 1,732,957	\$ 1,648,341
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

See notes to required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 7,628	\$ 7,312	\$ 7,098	\$ 6,515	\$ 6,252	\$ 47,602
<u>(7,628)</u>	<u>(7,312)</u>	<u>(7,098)</u>	<u>(6,515)</u>	<u>(6,252)</u>	<u>(47,602)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,525,515	\$ 1,462,407	\$ 1,422,505	\$ 1,302,997	\$ 1,250,429	\$ 1,311,619
0.50%	0.50%	0.50%	0.50%	0.50%	3.62%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022

NOTE 1 PENSIONS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) –

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

For 2019: OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

For 2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

B. OHIO POLICE AND FIRE PENSION FUND

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2021.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) reduction in actuarial assumed rate of return from 8.25% to 8.00% (b) decrease salary increases from 3.75% to 3.25% (c) change in payroll growth from 3.75% to 3.25% (d) reduce DROP interest rate from 4.5% to 4.0% (e) reduce CPI-based COLA from 2.6% to 2.2% (f) Inflation component reduced from 3.25% to 2.75%

For 2019-2021: There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022

NOTE 2 OPEB

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) –

Changes in benefit terms: For 2019, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%.

For 2019, OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%. In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time.

2020: On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability. The single discount rate changed from 3.96% to 3.16%, the municipal bond rate changed from 3.71% to 2.75% and the health care cost trend rate changed from 10.00% to 10.50%.

In 2021, changes in assumptions included a decrease in the municipal bond rate from 2.75% to 2.00% and the assumption that fiduciary net position and future contributions are sufficient to finance health care costs through 2120 resulted in an increase in the single discount rate from 3.16% to 6.00%. Another change includes adjusting the health care cost trend rate from 10.50% initial, 3.50% ultimate in 2030 to 8.50% initial, 3.50% ultimate in 2035.

B. OHIO POLICE AND FIRE PENSION FUND

Changes in benefit terms: For 2018, the single discount rate changed from 3.79% to 3.24%.

For 2019, see below regarding the change to stipend-based model.

For 2020 - 2021, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 3.79% to 3.24%.

Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%.

For 2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. The single discount rate changed from 4.66% to 3.56%.

For 2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions. The single discount rate changed from 3.56% to 2.96%.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Sheffield Lake
Lorain County
609 Harris Road
Sheffield Lake, Ohio 44054

To the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 19, 2023

OHIO AUDITOR OF STATE KEITH FABER



CITY OF SHEFFIELD LAKE

LORAIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 11/9/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov